

2025 BUDGET WORKSHOP

Board of Water Commissioners
June 4, 2024



TIMELINE OF EVENTS

June

Budget Workshop

July + August

Further Discussions

September

Public Meeting

October

Budget Adoption



Budget Workshop Discussion Topics



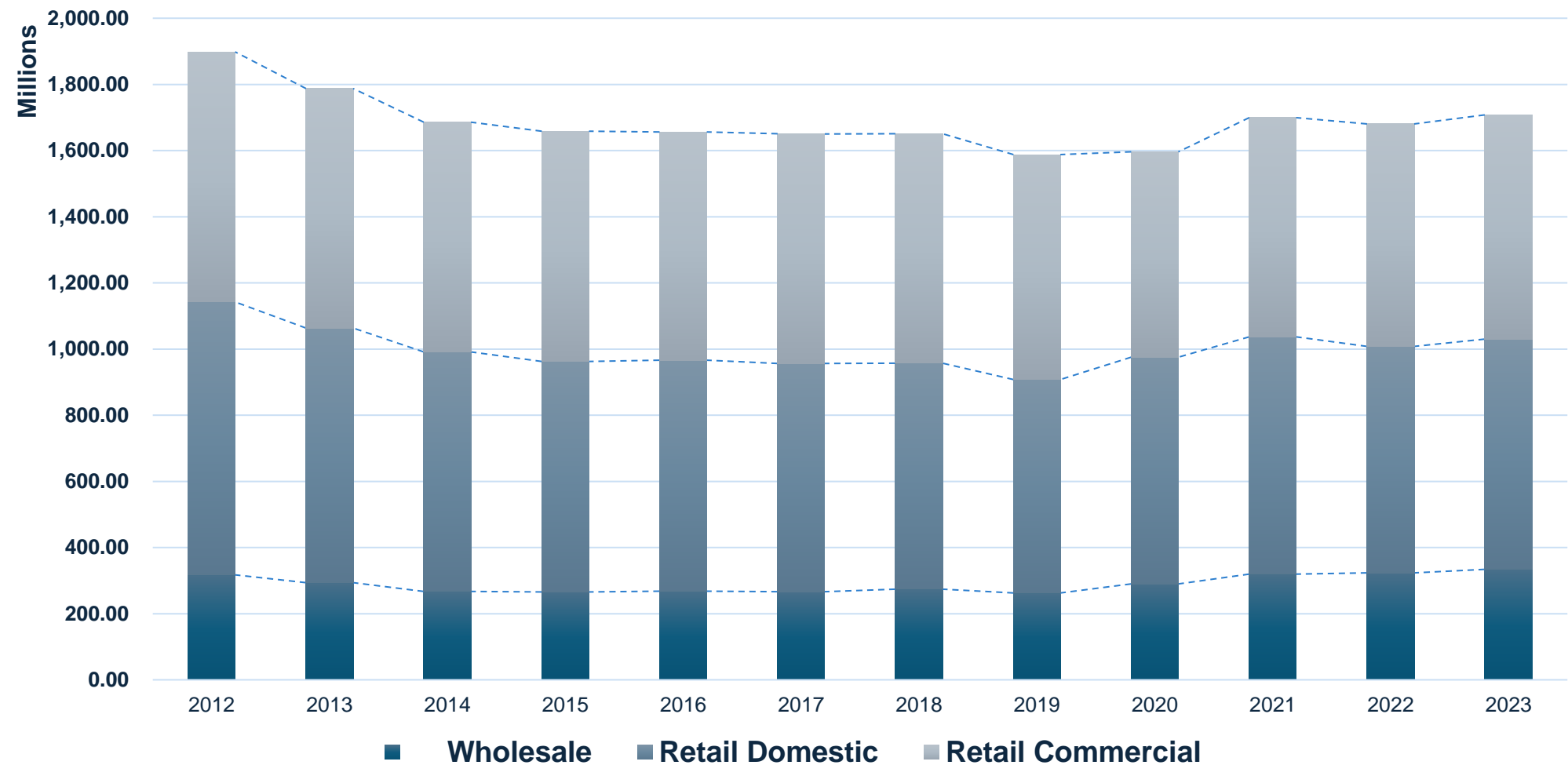
Capital Investments



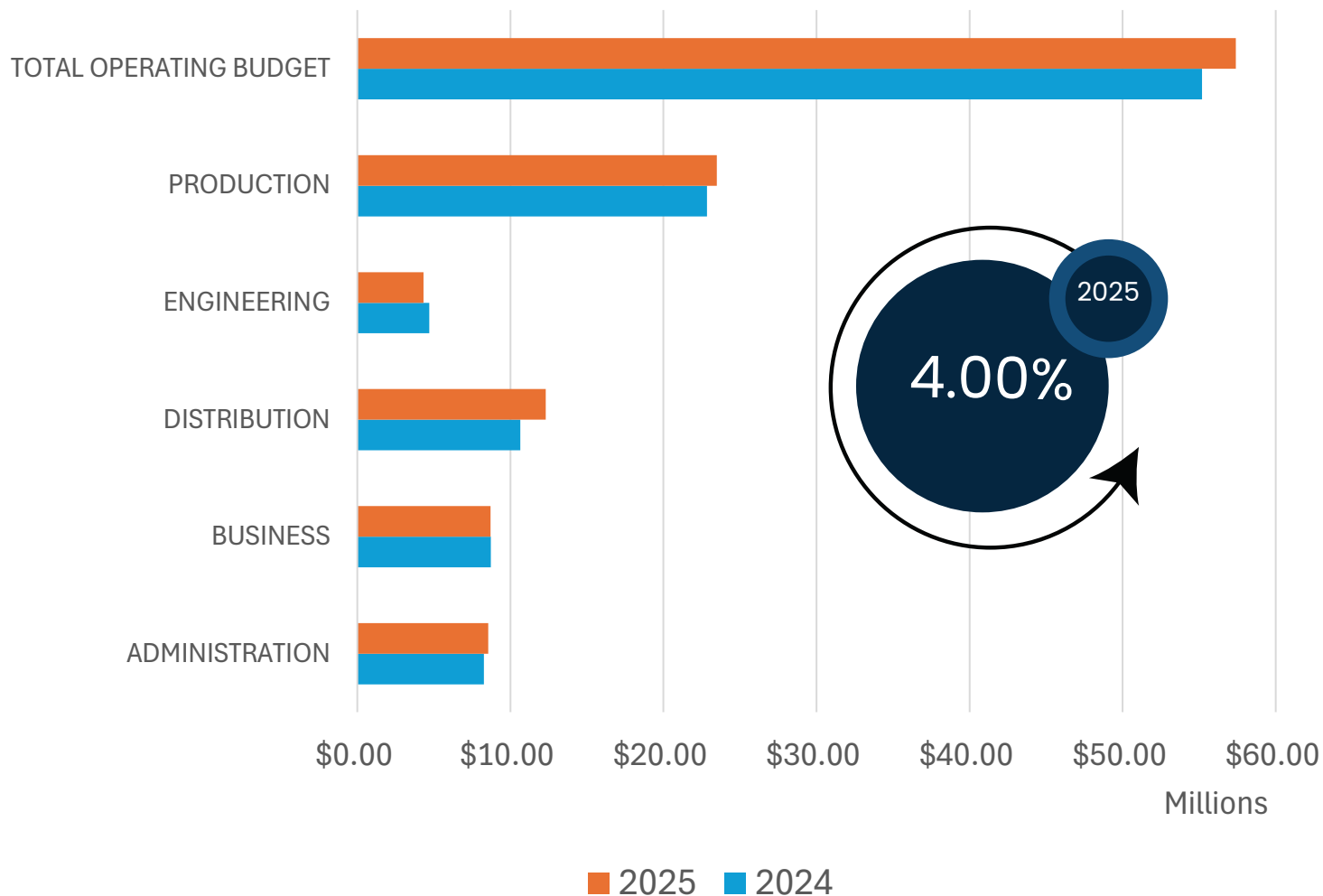
WaterWorks Commitment

Consumption History

Retain Consumption Projection:
1,650,000,000 cf
Trending Slightly Higher 2021-2023



Operating Budget Overview



Significant Impacts

Administration

- Replace 1 BIU FTE with a Public Info Specialist
- Adding \$5,000/year for Community Panel Stipend
- \$53k decrease in the Travel & Training AU (14.27%)

Business

- Added FTE on Finance Team for Purchasing Needs
- \$120k to Conduct a Rate Study
- Shifted 4.4 FTEs to Capital for Register Replacement
- \$59k Increase to Dispose of Registers During Project

Distribution

- 15% Increase in Labor Although FTE Reduced by 0.7

Production

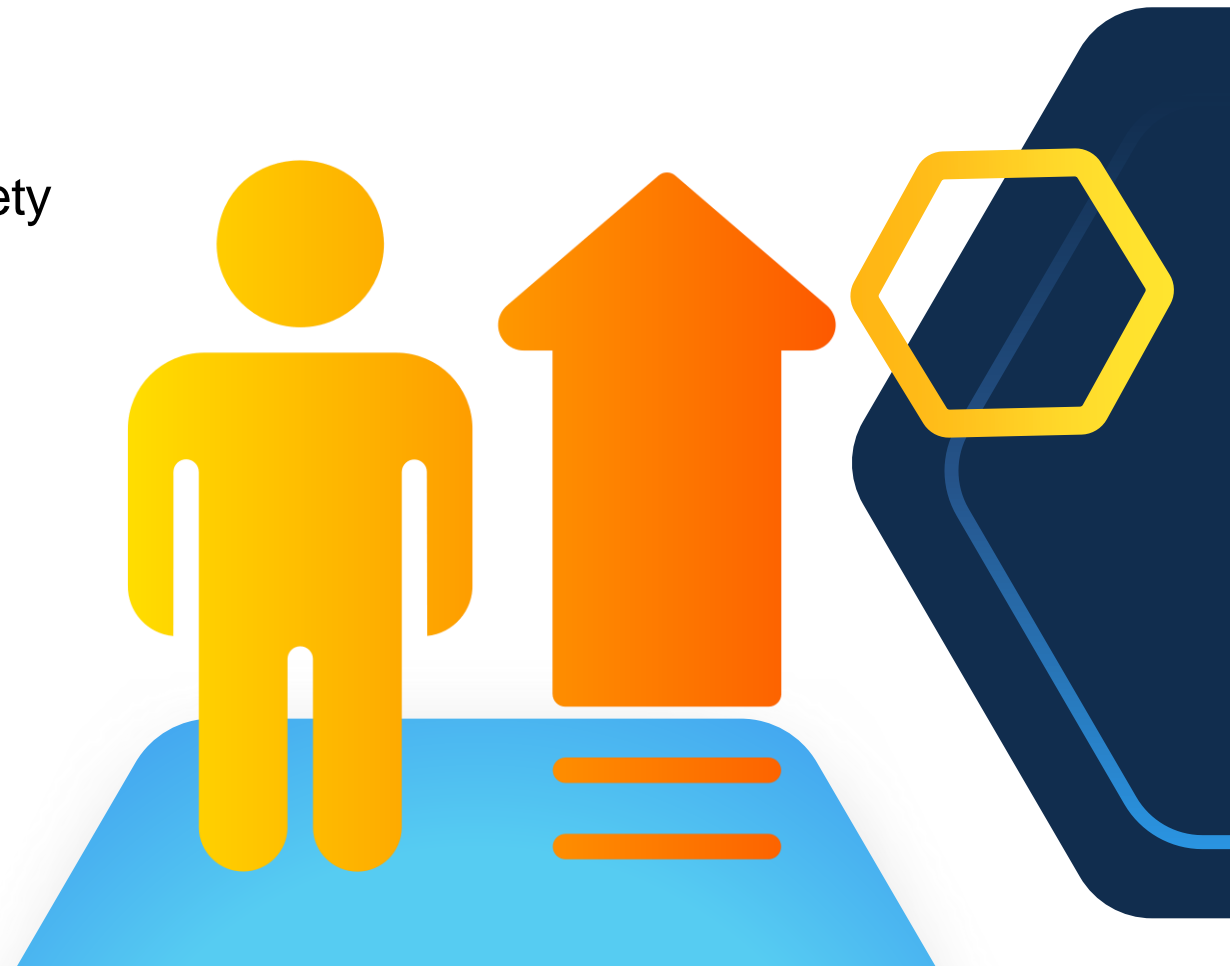
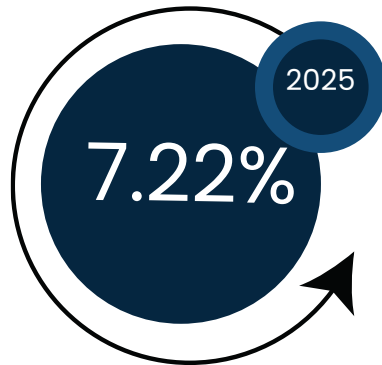
- \$520k Increase for Supply System Chemicals
- \$395k Increase for Production Chemicals
- Added Senior Operator & Asset Management Roles
- Eliminated a Custodian

Investment in Employees

New Incentives

2023-2025 employment contracts offered a wide variety of new incentives for SPRWS employees including:

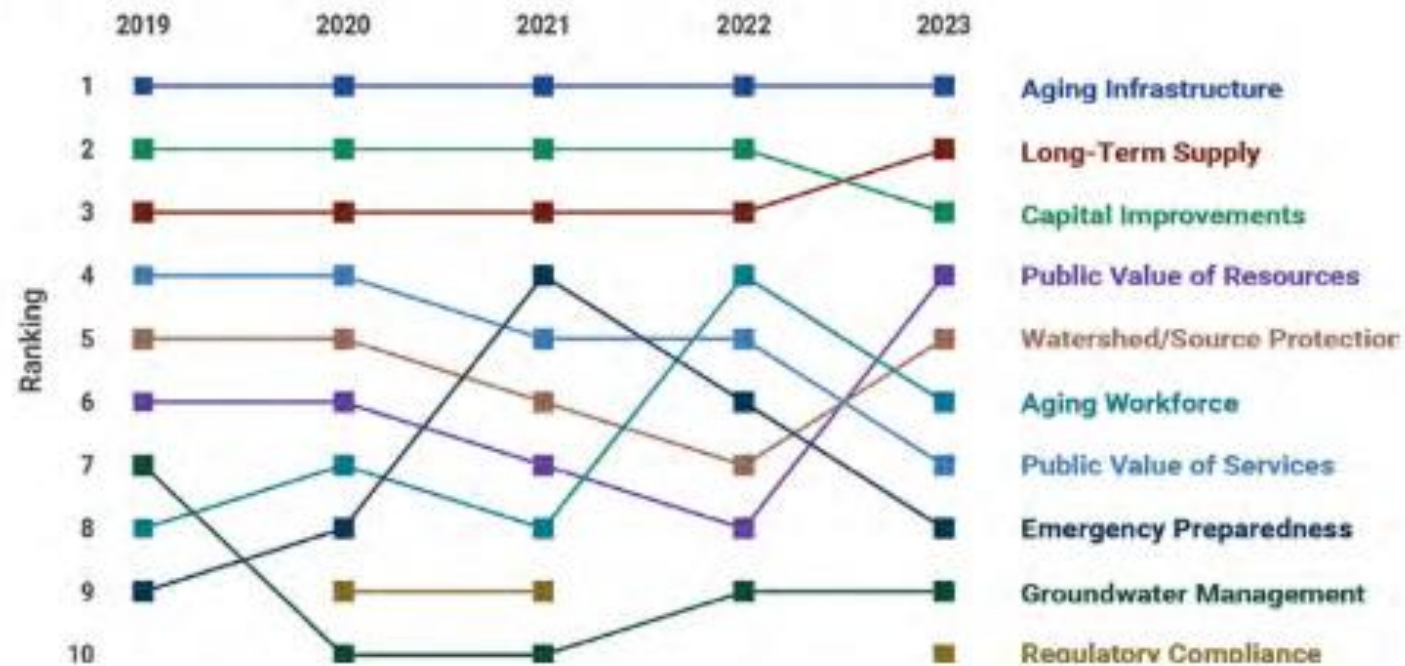
- Cost of Living Adjustments
- Quicker Step Increases
- Certification Pay
- Performance Pay
- Longevity Pay



American Water Works Association

State of the Water Industry

Top 10 recurring issues in the past five years by ranking



The background of the slide is a high-angle photograph of a workspace. It features a white desk with various items: a blue pen, a silver paper clip, a green paper clip, a green notepad, and a piece of paper with a line graph. The graph has a y-axis with values 1000, 1500, 2000, 2500, 3000, and 3500. A blue line with diamond markers is plotted on the graph, showing an upward trend. A light blue sticky note is placed on the graph, with the words "Capital Budgeting" written in dark blue marker. The sticky note is slightly tilted. The overall lighting is bright and even.

10 YEAR CAPITAL PLAN + BUDGETING

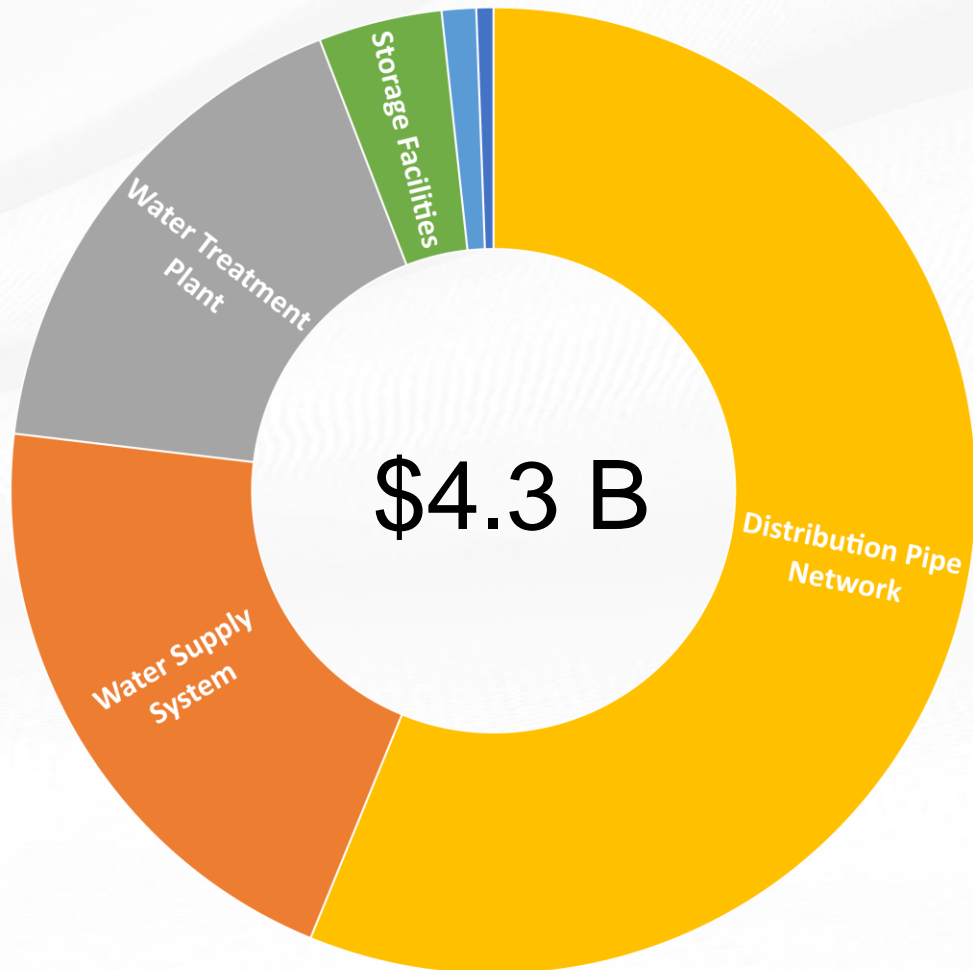
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1. INFRASTRUCTURE REPLACEMENT NEEDS
 2. CURRENT CAPITAL FUNDING LEVELS
 3. FUTURE CAPITAL FUNDING ALTERNATIVES

Capital Definition and Policy

Capital Improvement Plan: identifies and prioritizes specific capital needs, schedules, and funding sources over a multi-year period, typically 5+ years. Guides project delivery and rate setting decisions.

Capital Asset: direct purchases of \$5,000 or more having a useful life in excess of 1 year must be capitalized. Includes rehabilitation that directly extends the service life of assets.

ESTIMATED ASSET VALUE

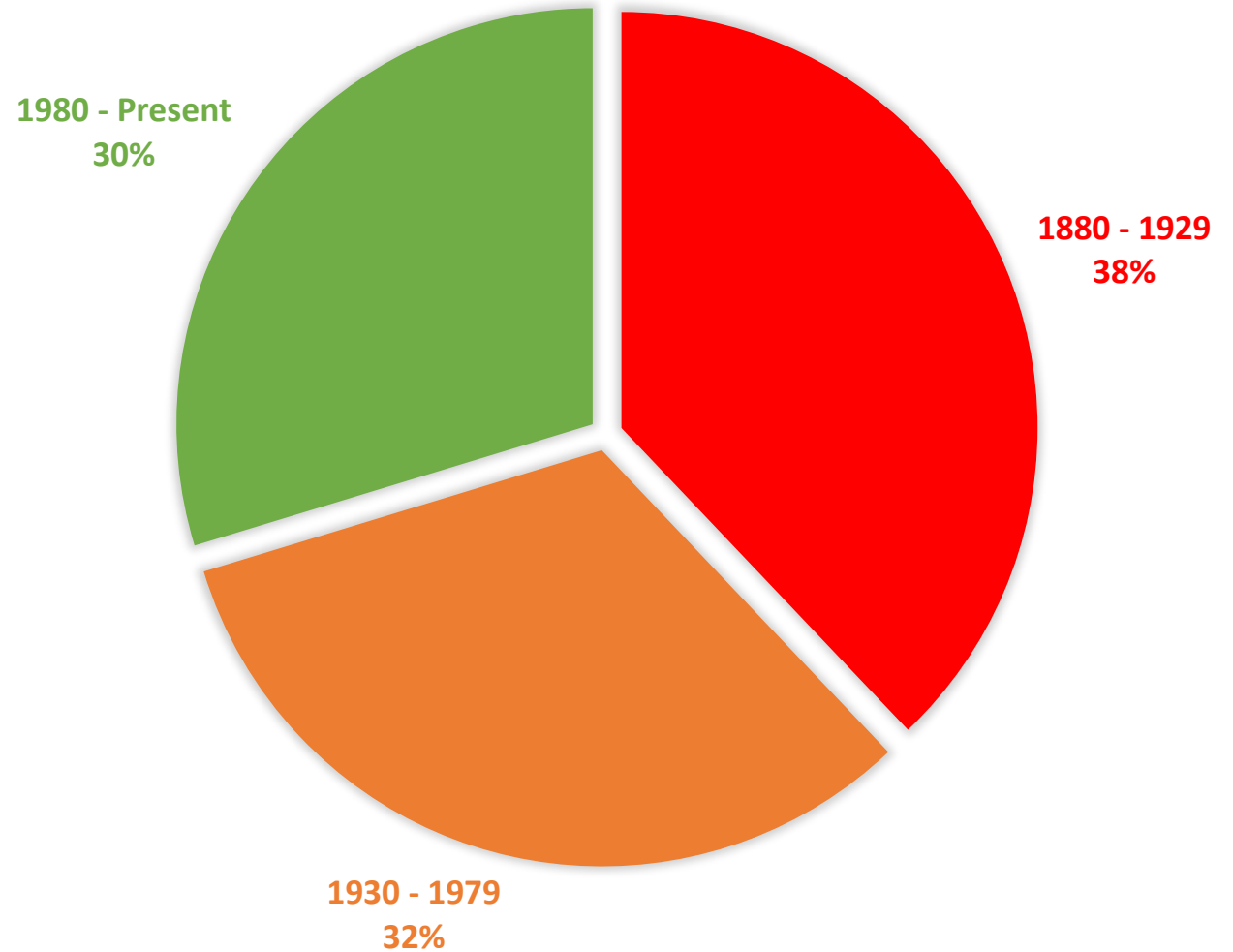


<div></div>	Fleet & Construction Equip	\$25 M
<div></div>	Water Supply System	\$900 M
<div></div>	Water Treatment Plant	\$750 M
<div></div>	Distribution Pipe Network	\$2,443 M
<div></div>	Pump Stations	\$50 M
<div></div>	Storage Facilities	\$180 M

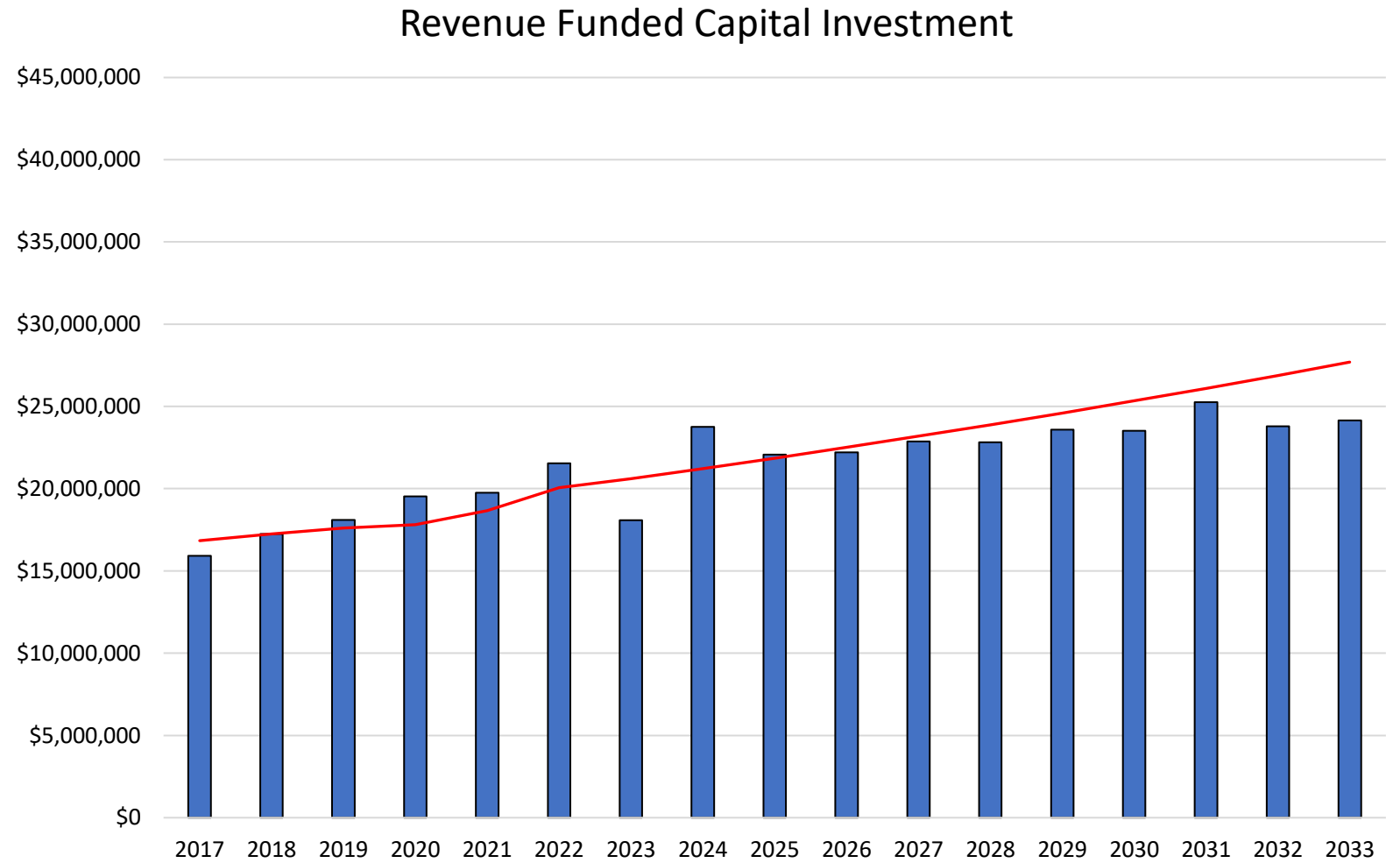


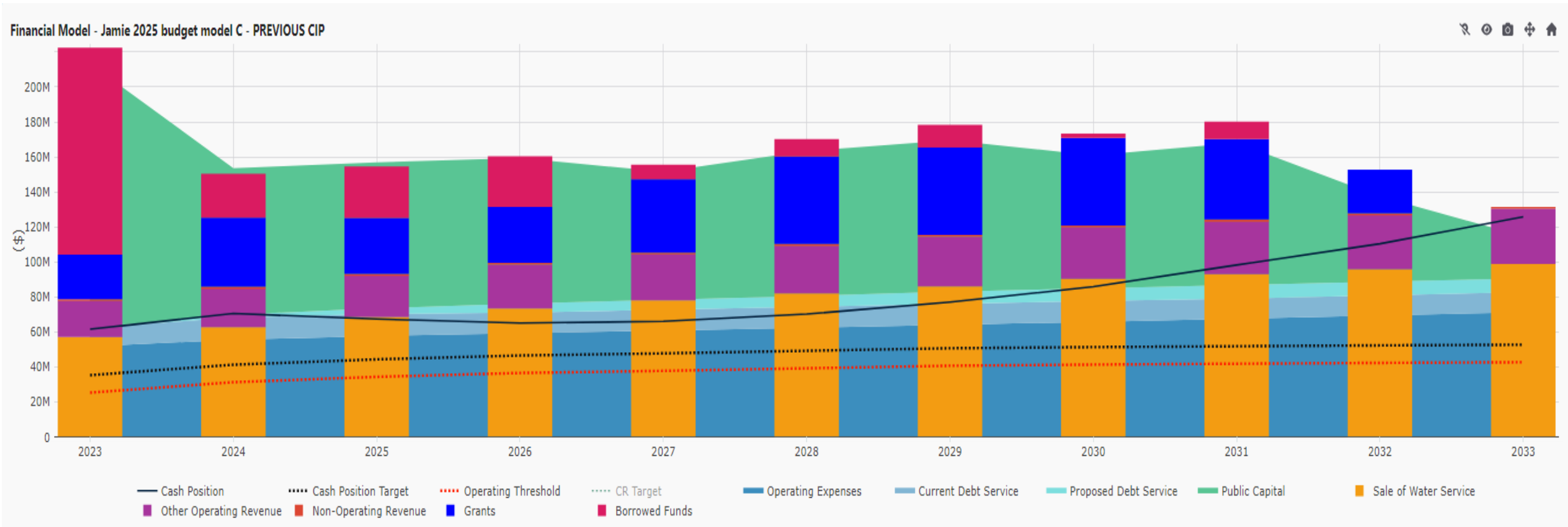
Service Age Distribution System

History of Pipe Manufacturing
Pit Cast Iron Pipe
Centrifugal/Spun Cast Iron Pipe
Cement Mortar Lined Cast Iron
Change to Ductile Iron Pipe



Historical and
2024 Budget
Plan
Capital





2025	2026	2027	2028	2029	2030	2031	2032	2033
7.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%

Waterworth Model – 2024 Plan

Revised Asset Management Based Capital Plan



Data Collection

Reviewed asset management plans, conditions, asset age, and project needs

Project Planning

Estimated project scopes and timelines

Forecasting

Estimated costs and assembled annual expenditures

Optimization

Prioritized projects based on risk and value/ROI

Capital Improvement Plan

Category Name/Project Description	2025 (9.5%)	2026 (7.5%)	2027 (6.5%)	2028 (5%)	2029 (5%)	2030 (5%)	2031 (3%)	2032 (3%)	2033 (3%)	Total 10 Year
Total Revenue Funded (from Below)	\$ 28,062,120.38	\$ 29,722,209.91	\$ 28,313,718.20	\$ 31,934,302.26	\$ 32,366,071.31	\$ 37,683,910.37	\$ 33,656,659.73	\$ 35,730,904.83	\$ 37,162,686.50	\$ 294,632,583.50
Total Debt, Grant, & Revenue Funded (from Below)	\$ 40,112,120.38	\$ 29,772,209.91	\$ 28,363,718.20	\$ 31,934,302.26	\$ 39,866,071.31	\$ 45,183,910.37	\$ 33,656,659.73	\$ 35,730,904.83	\$ 37,162,686.50	\$ 321,782,583.50
Admin. Division										
Admin Total	\$ 320,000.00	\$ 360,000.00	\$ 435,000.00	\$ 315,000.00	\$ 235,000.00	\$ 150,000.00	\$ 150,000.00	\$ 150,000.00	\$ 150,000.00	\$ 2,265,000.00
Anticipated Debt/Grant Funding										\$ -
Total Revenue Funded	\$ 320,000.00	\$ 360,000.00	\$ 435,000.00	\$ 315,000.00	\$ 235,000.00	\$ 150,000.00	\$ 150,000.00	\$ 150,000.00	\$ 150,000.00	\$ 2,265,000.00
	\$									28.00
Business Total	\$ 4,223,000.00	\$ 4,071,900.00	\$ 3,864,249.50	\$ 5,198,429.49	\$ 4,926,926.62	\$ 8,365,012.38	\$ 1,858,709.11	\$ 1,977,040.06	\$ 2,146,029.43	\$ 36,631,296.59
Anticipated Debt/Grant Funding	\$ 50,000.00	\$ 50,000.00	\$ 50,000.00							\$ 150,000.00
Total Revenue Funded	\$ 4,173,000.00	\$ 4,021,900.00	\$ 3,814,249.50	\$ 5,198,429.49	\$ 4,926,926.62	\$ 8,365,012.38	\$ 1,858,709.11	\$ 1,977,040.06	\$ 2,146,029.43	\$ 36,481,296.59
Engineering Division										
Engineering Total	\$ 230,000.00	\$ 241,000.00	\$ 253,000.00	\$ 265,000.00	\$ 278,000.00	\$ 292,000.00	\$ 306,000.00	\$ 322,000.00	\$ 339,000.00	\$ 2,526,000.00
Anticipated Debt/Grant Funding										\$ -
Total Revenue Funded	\$ 230,000.00	\$ 241,000.00	\$ 253,000.00	\$ 265,000.00	\$ 278,000.00	\$ 292,000.00	\$ 306,000.00	\$ 322,000.00	\$ 339,000.00	\$ 2,526,000.00
Distribution Division										
Distribution Total	\$ 19,035,120.38	\$ 19,626,309.91	\$ 20,909,468.70	\$ 20,765,872.77	\$ 22,528,144.69	\$ 25,241,897.99	\$ 27,161,950.62	\$ 28,326,864.76	\$ 29,415,657.07	\$ 213,011,286.90
Anticipated Debt/Grant Funding										\$ -
Total Revenue Funded	\$ 19,035,120.38	\$ 19,626,309.91	\$ 20,909,468.70	\$ 20,765,872.77	\$ 22,528,144.69	\$ 25,241,897.99	\$ 27,161,950.62	\$ 28,326,864.76	\$ 29,415,657.07	\$ 213,011,286.90
Production Division										
Production Total	\$ 16,304,000.00	\$ 5,473,000.00	\$ 2,902,000.00	\$ 5,390,000.00	\$ 11,898,000.00	\$ 11,135,000.00	\$ 4,180,000.00	\$ 4,955,000.00	\$ 5,112,000.00	\$ 67,349,000.00
Anticipated Debt/Grant Funding	\$ 12,000,000.00	\$ -	\$ -		\$ 7,500,000.00	\$ 7,500,000.00	\$ -	\$ -	\$ -	\$ 27,000,000.00
Total Revenue Funded	\$ 4,304,000.00	\$ 5,473,000.00	\$ 2,902,000.00	\$ 5,390,000.00	\$ 4,398,000.00	\$ 3,635,000.00	\$ 4,180,000.00	\$ 4,955,000.00	\$ 5,112,000.00	\$ 40,349,000.00



Capital Funding Alternatives

SCENARIO 1

Accelerated Implementation

Full phase-in of current needs

- Excessive Utilization of Cash

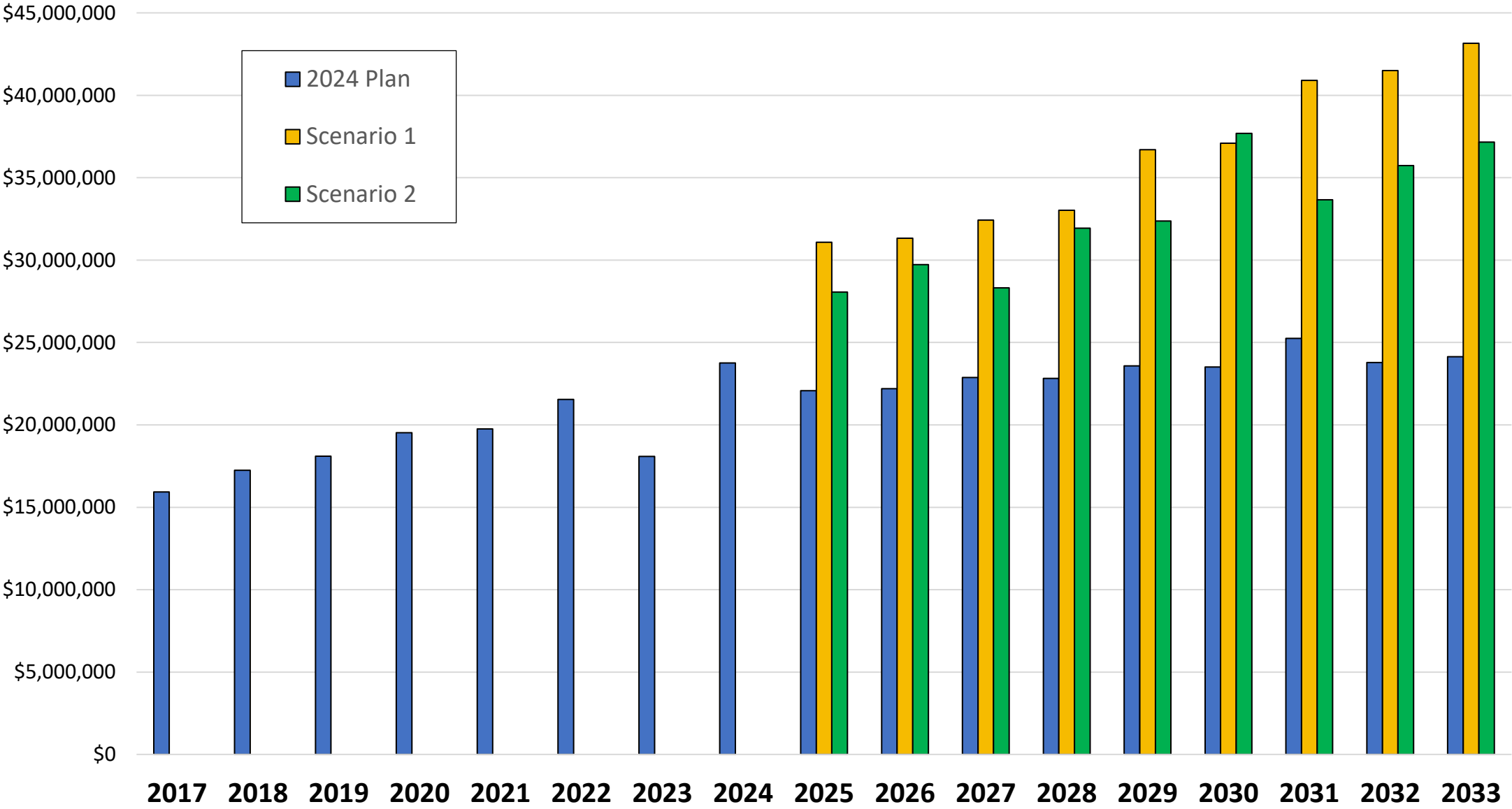
SCENARIO 2

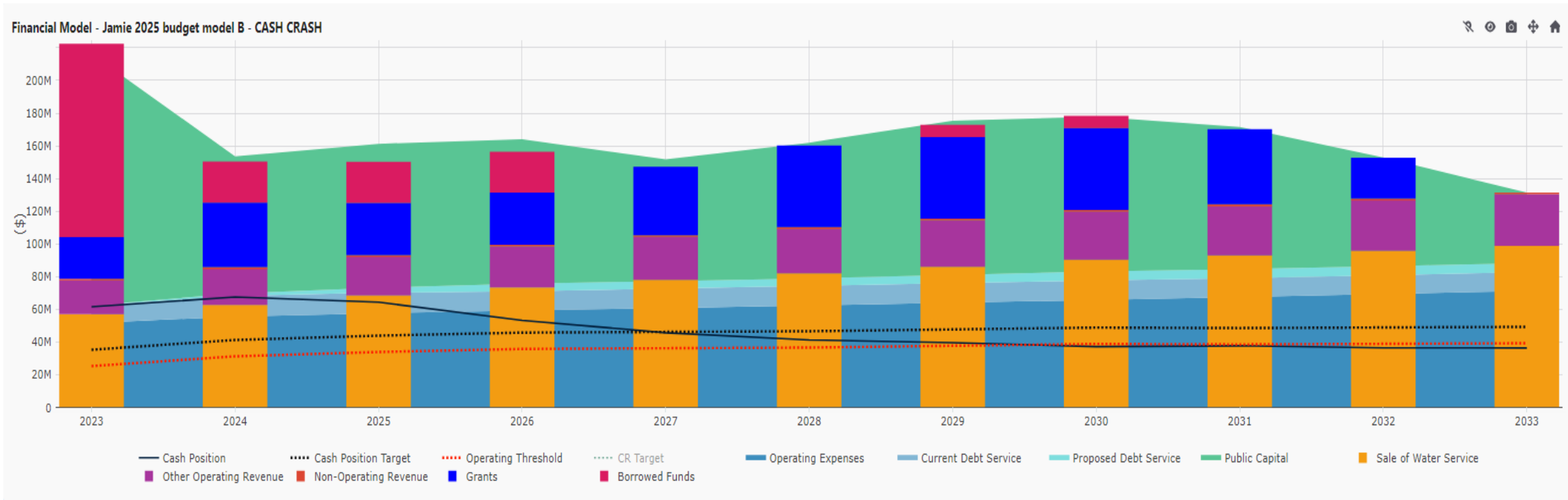
Progressive Transition

Criteria based prioritization

- Risk Reduction
- Return on Investment
- Customer Service
- Regulatory Compliance

Revenue Funded Capital Investment





2025	2026	2027	2028	2029	2030	2031	2032	2033
9.5%	7.5%	6.5%	5.0%	5.0%	5.0%	3.0%	3.0%	3.0%

Waterworth Model – Scenario 1

Not Recommended Due to Cash Balance



Capital Funding Alternatives

SCENARIO #1

Accelerated Implementation

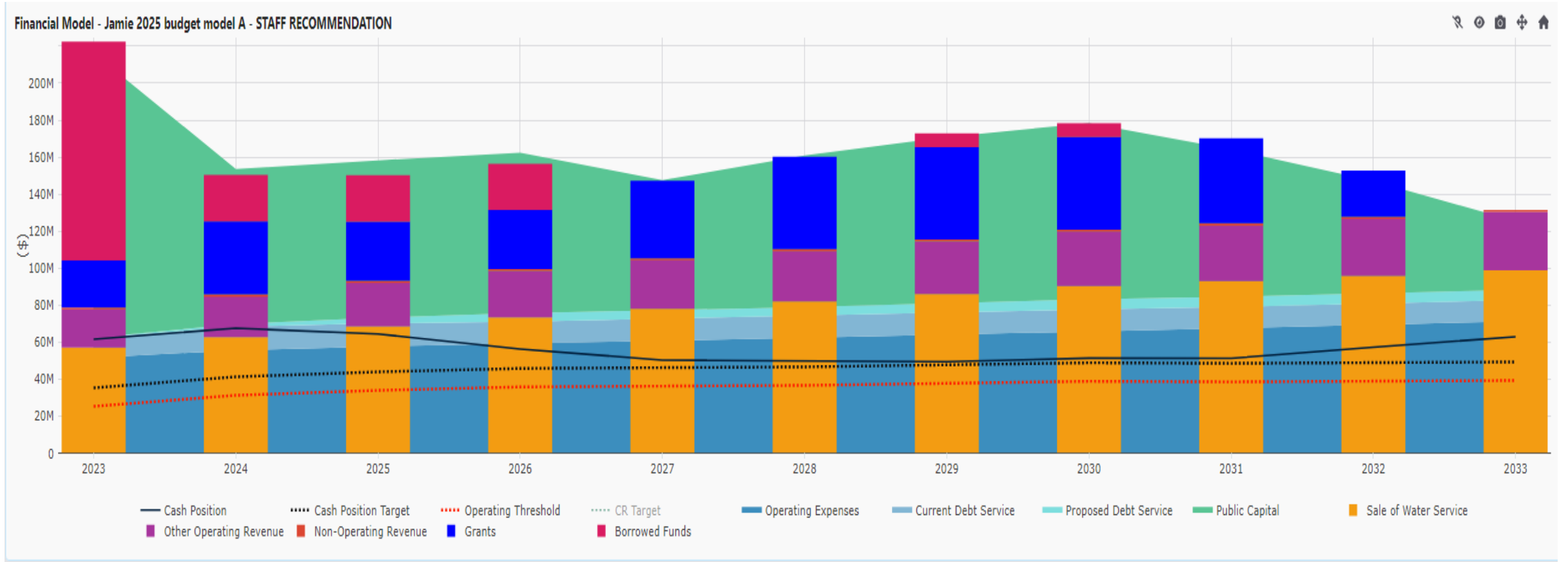
Full phase-in of current needs

SCENARIO #2

Progressive Transition

Criteria based prioritization

- Risk Reduction
- Return on Investment
- Customer Service
- Regulatory Compliance



2025	2026	2027	2028	2029	2030	2031	2032	2033
9.5%	7.5%	6.5%	5.0%	5.0%	5.0%	3.0%	3.0%	3.0%

Waterworth Model – Scenario 2

Adjustments Between Scenario 1 and 2

- Water main replacement rate reduced from 180 years to 125 years over next 9 years. Alt #3 does not achieve 100-year water main replacement rate.
- Rehabilitation of McKnight and Fairgrounds tanks delayed.
- Replacement of outdated communications infrastructure (\$625k) is spread across 2025-2028 rather than all completed in 2025.
- Raw water supply projects have been delayed by 3-4 years (Lake Oxygenation System and Copper Sulfate Feed in Pleasant Lake).
- Raw water conduit rehab budget reduced 50 percent for 3 years.
- Investments in the filter gallery and piping improvements to the WTP pumping area phased such that only critical work in 2025/26 and less urgent work is delayed until later years.
- Sludge press replacements split into three separate projects (2026, 2028, and 2033) rather than a single, large project in 2026.

FINANCIAL IMPACT FOR CUSTOMERS



Year	Rate Increase	Monthly Impact	Annual Impact	Total Monthly SPRWS Charges	Total Annual SPRWS Charges
2025	9.50%	\$3.14	\$37.71	\$36.22	\$434.67
2026	7.50%	\$2.72	\$32.60	\$38.94	\$467.27
2027	6.50%	\$2.53	\$30.37	\$41.47	\$497.64
2028	5.00%	\$2.07	\$24.88	\$43.54	\$522.53
2029	5.00%	\$2.18	\$26.13	\$45.72	\$548.65
2030	5.00%	\$2.29	\$27.43	\$48.01	\$576.09
2031	3.00%	\$1.44	\$17.28	\$49.45	\$593.37
2032	3.00%	\$1.48	\$17.80	\$50.93	\$611.17
2033	3.00%	\$1.53	\$18.34	\$52.46	\$629.50

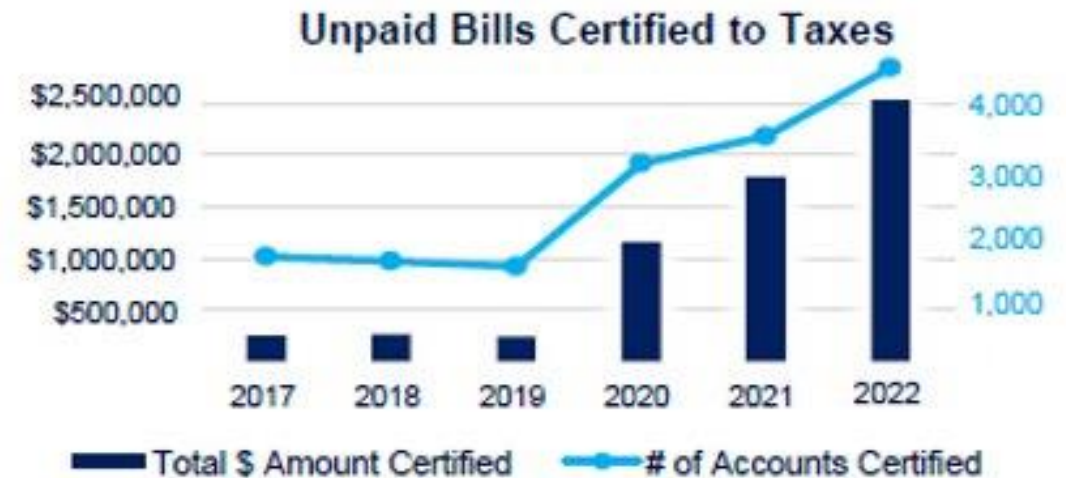
HOUSEHOLD
BURDEN
INDICATOR (HBI)


HBI - Water Costs as a Percent of Income at LQI	PPI - Percent of Households Below 200% of FPL		
	>=35%	20% to 35%	<20%
>=10%	Very High Burden	High Burden	Moderate-High Burden
7% to 10%	High Burden	Moderate-High Burden	Moderate-Low Burden
< 7%	Moderate-High Burden	Moderate-Low Burden	Low Burden

HBI Projections											
Year	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Annual bill for 48,363 gallons used (~16 units/quarter)	\$855	\$824	\$884	\$939	\$985	\$1,033	\$1,083	\$1,115	\$1,147	\$1,181	\$1,215
Upper limit 20th percentile Household Income (estimates, 3% inflation)	\$30,353	\$31,264	\$32,201	\$33,168	\$34,163	\$35,187	\$36,243	\$37,330	\$38,450	\$39,604	\$40,792
Household Burden Indicator (HBI)	2.50%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.00%	3.00%	3.00%

WaterWorks Funding

- **Adequate funding for those in need**
 - LIHWAP Assistance Exceeded \$400k in 2023
- **Ongoing commitment tied to rate increases**
 - Request: Contribution equal to 0.5% of all revenue generated from the sale of water to retail customers (~400k)
 - However, funds would come from the revenue generated from antennae leases (~\$800k)
 - Working with attorney on details
- **Improved program structure**
 - Require matching payments from customers
 - Maintain \$300/year max in 2025
 - For example:
 - Quarterly Bill = \$150.00
 - Customer payment = \$75.00
 - WaterWorks Match: \$75.00





Thank You
Questions?